



MINNESOTA REQUIREMENTS, VARIABLE ANNUITIES

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I. Minnesota Specific Requirements

The following are the requirements that the department analysts will be applying to variable annuity filings submitted to the department.

A. Readability

Minn. Stat. Chapter §72C.10, subd. 2 The commissioner shall disapprove any contract or policy if the commissioner finds that:

- (a) it is not accompanied by a certified Flesch scale analysis readability score of more than 40;
- (b) it is not accompanied by the insurer's certification that the policy or contract is in its judgment under the standards of sections 72C.01 to 72C.13;
- (c) it does not comply with the readability standards established by section 72C.06;
- (d) it does not comply with the legibility standards established by section 72C.07; and
- (e) it does not comply with the format requirements established by section 72C.08.

B. Signatures Required

Minn. Stat. §60A.08, subd. 5 All insurance policies shall be signed by the secretary or an assistant secretary, and by the president or vice-president, or in their absence, by two directors of the insurer. The signatures may be facsimile signatures.

Minn. R. Part 2605.0400 Filings made solely to change a company name or officer signature, correct printing errors, or make editorial changes are subject to filing fees.

C. Retroactive Termination of Coverage Under Group Policies Prohibited

Minn. Stat. §60A.086, subd. 2 No plan of coverage described in Minn. Stat. §60A.086, subd. 1 shall permit the issuer to retroactively cancel, retroactively rescind, or otherwise retroactively terminate the coverage of an employee, dependent, or other covered person under the group

coverage without the written consent of that employee, dependent, or other covered person. For purposes of this subdivision, “covered person” includes a person on continuation coverage or eligible for continuation coverage.

Types of coverage described in Minn. Stat. §60A.086, subd. 1 are health plans as defined in section 62A.011, issued to groups; group accident and health insurance, group life insurance; group accidental death and dismemberment insurance; and group disability income insurance.

D. Minnesota Life and Health Insurance Guaranty Association

Minn. Stat. §61B.28, subd. 7 No person, including an insurer, agent, or affiliate of an insurer or agent, shall offer for sale in this state a covered life insurance, annuity, or health insurance policy or contract without delivering at the time of application for that policy or contract or at the time of delivery of the policy or contract, a notice in the form specified in Minn. Stat. §61B.28, subd. 8, or in a form approved by the commissioner under paragraph (b), relating to coverage provided by the Minnesota Life and Health Insurance Guaranty Association.

E. Required Provisions

Minn. Stat. §61A.03

Subdivision 1 No policy of life insurance may be issued in this state or by a life insurance company organized under the laws of this state unless it contains the following provisions:

Subdivision 1(b) – Grace Period A provision for a one month grace period for the payment of every premium after the first, during which the insurance will continue in force. The provision may subject the late payment to a finance charge and contain a stipulation that if the insured dies during the grace period, the overdue premium will be deducted in any settlement under the policy.

Subdivision 1(c) – Entire Contract A provision that the policy constitutes the entire contract between the parties and is incontestable after it has been in force during the lifetime of the insured for two years from its date, except for nonpayment of premiums and except for violations of the conditions of the policy relating to naval and military services in time of war; that at the option of the company, provisions relative to benefits in the event of total and permanent disability and provisions which grant additional insurance specifically against death by accident, may be excepted; and that a special form of policy may be issued on the life of a person employed in an occupation classified by the company as extra hazardous or as leading to hazardous employment, which provides that service in certain designated occupations may reduce the company’s liability under the policy to a certain designated amount not less than the policy reserve.

Subdivision 1(d) Representations and Warranties – A provision that, in the absence of fraud, all statements made by the insured are representations and not warranties, and that no

statement voids the policy unless it is contained in a written application and a copy of the application is endorsed upon or attached to the policy when issued.

Subdivision 1(e) Misstatement of Age – A provision that if the age of the insured is understated the amount payable under the policy will be the amount the premium would have purchased at the correct age.

Subdivision 1(i) Payment of Claims – A provision that, when a policy becomes a claim by the death of the insured, settlement will be made within two months after receipt of due proof of death.

Subdivision 1(j) Settlement Option – A table showing the amount of installments in which the policy may provide its proceeds may be payable.

Subdivision 1(k) Description of Policy – A title on the face and on the back of the policy briefly and correctly describing the policy in bold letters stating its general character, dividend periods, and other particulars, so that the holder will not be able to mistake the nature and scope of the contract.

Subdivision 1(l) Form Number – A form number in the lower left-hand corner of the first page of each form, including riders and endorsements.

F. Definition – Contract on a Variable Basis

Minn. Stat. §61A.13 Contract on a variable basis means any contract on either a group or an individual basis issued by a life insurance company providing for the dollar amount of benefits or other contractual payments or values thereunder to vary so as to reflect investment results of a separate account in which amounts have been placed in connection with any such contracts. Such contracts may also provide benefits or values incidental thereto payable in fixed or variable dollar amounts, or both.

G. Companies Entitled To Issue Contracts; Accounts; Investments

Minn. Stat. §61A.14

Subdivision 2 Allocations to Account Except as may be otherwise specifically provided by the contract concerned, all amounts received by a life insurance company in connection with any contract on a variable basis shall be allocated to the appropriate separate account. The income, if any, and gains or losses, realized or unrealized on each such account may be credited to or charged against the amount allocated to such account in accordance with such contract, without regard to the other income, gains, or losses of the company.

Subdivision 5 Account Ownership The assets held in a separate account pursuant to this section shall be owned by the company, and the company shall not be, nor hold itself out to be,

a trustee with respect to such amounts. If and to the extent so provided under the applicable contracts or as required pursuant to the Federal Investment Company Act of 1940 that portion of the assets of any such separate account equal to reserves and other contract liabilities with respect to such account shall not be chargeable with liabilities arising out of any other business the company may conduct, but shall be held and applied exclusively for the benefit of the holders of those contracts on a variable basis for which the separate account has been established, provided, however, that the assets shall always be at least equal to the reserves and other contract liabilities with respect to such account.

Please also refer to Department Bulletin 97-

6 http://www.state.mn.us/mn/externalDocs/Commerce/1997-6_020403093832_bul9706.htm

H. Contracts to Specify Benefits and Consideration

Minn. Stat. §61A.22 No life insurance company shall make any insurance, guaranty, contract, or pledge in this state, or to or with any citizen or resident thereof, which does not distinctly specify the amount and manner of payment of benefits and the consideration therefor, except that contracts on a variable basis need not specify the amount of benefits thereunder or consideration after the initial premium.

I. Provisions in Policies; Laws of Other States

Minn. Stat. §61A.23 The policies of a life insurance company, not organized under the laws of this state, may contain any provision which the laws of the state, territory, district, or country under which the company is organized, prescribe shall be in such policies, and the policies of a life insurance company organized under laws of this state may, when issued or delivered in any other state, territory, district, or country, contain any provision required by the laws of the state, territory, district, or country in which the same are issued, anything in this section and sections 61A.02, 61A.03, 61A.07, 61A.08, and 61A.25 to the contrary notwithstanding.

J. Right to Cancel (Individual Only) – Notice Requirements

Minn. Stat. § 72A.52, subd. 1 In addition to all other legal requirements a policy or contract of insurance described in section 72A.51 shall show the name and address of the insurer and the seller of the policy or contract and shall include a notice, clearly and conspicuously in boldface type of a minimum size of ten points, which shall include the following elements:

(1) a minimum of ten days to cancel the policy beginning on the date the policy is received by the owner;

(2) if the policy is a replacement policy, a minimum of 30 days beginning on the date the policy is received by the owner. Pursuant to section 61A.57, this requirement may also be provided in a separate written notice that is delivered with the policy or contract;

- (3) a requirement for the return of the policy to the company or an agent of the company;
- (4) a statement that the policy is considered void from the beginning;
- (5) a statement describing when the cancellation becomes effective.

II. Actuarial Filing Requirements

The following are the requirements that the department's actuarial staff will be looking for in variable annuity filings submitted to the department.

1. Provide a clear indication as to whether the form is new or if it will replace a previously approved form.
2. Indicate whether the filing is for a flexible premium policy or a single premium deferred annuity policy and whether it is a base policy or an endorsement.
3. A specifications page must be provided for contracts and endorsements.
4. If there are any numerical items on the specifications page that are in brackets and intended to be variable, a separate variability statement must be submitted, which provides the range of variability that is sought.
5. A complete actuarial memorandum signed and dated by a qualified actuary must be provided with the filing.
6. If the variable annuity contains an option that meets the definition of a fixed annuity, an indexed annuity, or a modified guaranteed annuity, that option must meet the requirements for its type of annuity.
7. If the variable annuity filing includes any form of guaranteed living benefit (e.g., guaranteed minimum income benefit, guaranteed minimum withdrawal benefit, etc.) provide copies of any prospectus pages that detail the guaranteed living benefit.
8. The actuarial memorandum must contain a description of the reserving methodology for each benefit provided in the contract.
9. Filings consisting of replacement data pages that show new investment options are acceptable, if contract language is not changed and no additional fees or mortality and expense charges as noted in the original form are added or increased. However, this acceptance does not extend to any "Performance Guarantees" or any other "Guarantees that are provided by the insurer. All such investment options with a form of "Performance Guarantees" must be filed.

10. Filings that show investment options in brackets on the data pages (or application) are acceptable, if contract language is not changed. However, this acceptance does not extend to any “Performance Guarantees” or other “Guaranties” that are provided by the insurer. All such “Performance Guarantees” must be filed.